

TAB

2nd Draft  
R.A., Jr.  
19 March 1952

~~SECURITY INFORMATION~~  
~~CONFIDENTIAL~~

NOTES ON BRIEFING 21 and 28 MARCH

1. Introduction. (Opening to depend on way I am introduced.)

Acknowledgements to M.F.M.

2. Production of economic intelligence of the Soviet Orbit is, I venture to say, the most vital supporting task undertaken by the Central Intelligence Agency on behalf of those charged with making long range estimates and policy decisions to check the march of Communist power.

This responsibility for economic intelligence imposed by NSCIB 15 on CIA is in turn charged to ORR by basic CIA orders and regulations. It complements the coordinating function simultaneously assigned to ORR of bringing to bear on issues involving national security the full economic knowledge and talent available in the Government. Up to now we have confined our efforts to the Soviet and its Satellites because of their obviously paramount importance and our pitifully limited knowledge of them.

Consider briefly the terrible disadvantage that we labor under in this particular area. American and Western intentions and military capabilities are at least to some extent hidden from the enemy by security measures. But our entire basic economy, save for a few items such as atomic energy, is not only exposed to the Soviet but analyzed, collated and digested for them by hundreds of thousands of Government and private agencies and individuals.

Just as random samples, look at this typical annual handbook on

Document No. 12	just one of our industries, electric power, showing in the greatest
No Change in Class. <input type="checkbox"/>	
<input type="checkbox"/> Declassified	detail the locations, output, management, future plans, etc., etc. of
Class. Changed to: TS	(C)
Next Review Date: 1990	
Auth.: HR 70-3	
Date: 25 Feb 80	By: 018545

Approved For Release 2000/08/29 : CIA-RDP79-01048A000100010014-2

~~CONFIDENTIAL~~

~~SECRET~~

~~SECURITY INFORMATION~~

every single electrical utility company in the land, or at these detailed annual reports of celanese and the Seaboard Railroad with their wealth of detail, past, present and future. To compile their equivalent on the Soviet in the face of their secrecy and security is a staggering task, but it would be only a portion of our problem because such a handbook is information rather than intelligence.

3. What is economic intelligence? Our people have defined it as that intelligence which covers the basic productive resources of an area or political unit, the goals and objectives which those in control of these resources wish them to serve, and the ways in which and the effectiveness with which these resources are in fact allocated in the service of these goals. The importance of goals must be borne in mind, for obviously steel that goes into baseball parks and toys hardly contributes to military potential. Secondly, effectiveness of allocation is a factor which cannot be overlooked because of the inevitable complexity of any modern economy in which, for example, a steel mill's production may be sharply curtailed because of inadequate maintenance of the railroads over which flow its major supplies.

The border lines of economic intelligence are admittedly very obscure and incapable of precise definition. In very rough terms, economic intelligence takes over from scientific when newly developed techniques, methods and products begin to be employed broadly in production. As to military intelligence, the overlap is necessarily broad with many items and problems equally concerning both services. The output of final military equipment

~~SECRET~~

**SECRET**  
**SECURITY INFORMATION**

-3-

and physical targets on which our armed forces will launch attacks are clearly a prime concern of military intelligence. On the other hand, economic analysis is required to understand the complex structure of economic support on which military production depends and also to pursue the economic chain reactions which might result in the destruction of particular facilities. Again, it is essential that political and economic intelligence survey the same fields and institutions. These latter obviously can have profound economic significance and conversely can be radically affected by economic influences on the attitudes and loyalties of certain segments of the populace.

The importance of evaluating information is no less important in economic intelligence than elsewhere in the community. For example, what seemed to be a very reliable report gave Albania's production of copper at the annual rate of 6,000 tons. This would place Albania third amongst the producers of Western Europe and a significant factor in the East-West struggle for resources. Persistent inquiry by an ORR analyst disclosed, however, that the reported figure referred to tons of copper ore which assayed variously at 1 to 7 percent pure. Thus, the metallic production estimate became a mere 300 tons--relatively insignificant in the entire picture.

Again, even if a given item may have a high source and accuracy of evaluation, its relevance to the primary questions of the consumer may be quite obscure. Thus a diplomatic report that jute bags are being distributed to cooperative farms in the month of January would have little significance to the ordinary reader, but the trained agronomist concluded that something extraordinary was afoot because January was an unusual month

**SECRET**

**SECRET****SECURITY INFORMATION****-3-**

in which to collect grain and moreover, jute bags were rarely used at any season, the principal reliance being on carts. His analysis was brought out by a dramatic offer of grain by Russia to France in an effort to boost the prestige of the local Communist party. Recently we have noted an increase in food cannery in the USSR. Though ostensibly a matter affecting the civilian economy, distribution information we have indicates that Russian canned goods go primarily to the military. Thus a seemingly harmless item properly evaluated opens up fairly serious indications as to capabilities (attack in regions where an army cannot live on countryside) and intentions.

In the broadest sense, evaluation is of tremendous importance when we come to the overall capacity of the Soviet economy—that is the limitations on one or more segments that would be unavoidable if another were to be expanded to a point easily attainable considering only its own inherent limitations.

4. Having stressed the general difficulties of piecing together Soviet economic information we should admit that the Soviet system has certain features that make our life not quite so tough.

The central plan—almost anything that happens can give some clue as to the whole, whereas in contrast a free economy, a development such as the collapse of the miniature golf industry can indicate virtually nothing about the rest of the economy.

Inter-dependence of any economy.

and  
Necessary similarities in techniques/immutable laws of nature.

Lack of business cycles, speculative influence on prices, etc.

**SECRET**

~~SECRET~~  
~~SECURITY INFORMATION~~

-4-

5. Now to come to our functional problems and major policies. First, we continually harp on the importance of basic research in order to establish a comprehensive and soundly based picture of the Orbit economy as can possibly be obtained within the means and time available. In doing this we are consciously rejecting chase after the will-o'-the-wisp of the bottleneck or jugular vein which, if snipped, will cause the whole to atrophy. This fruitless quest has been made for decades if not centuries, a fascinating example being the attempt of the Confederacy to close down the industrial economy of the North by destroying its whale oil fleet but the very vitality of all economies lies in their adaptability and capacity for substitution and improvisation. Naturally, this does not mean that some products or facilities are not vastly more critical than others but it is an assertion of the fact that there are so many vitally important things to master that our effort must necessarily be a broad one.

Basic or comprehensive research could not, however, be set on a pedestal while all other ORR obligations were ignored. The Kremlin would not stand still for two years and our policy makers had urgent questions in the economic sphere to be answered, however unsatisfactorily. Thus a compromise was necessary between our spot requirements and our long-term overall mission. The resolution of this difficulty was to establish a program that started with a comprehensive taking-of-inventory of currently accessible data, making the best possible general estimate or approximation from it and observing and defining the most serious gaps. From this point a program of filling the most significant of these gaps was initiated (106 specific high priority projects) to be followed after several months

~~SECRET~~

**SECRET**  
**SECURITY INFORMATION**

-5-

by another general inventory. Afterwards the cycle would be repeated. By this method it is hoped that a series of successively refined approximations to Soviet economic capabilities can lead us toward, if not to, a real appreciation of the Orbit's potential.

6. ORGANIZATION. Who does this work and how are they organized? First, let's look at the team as a whole. Necessarily it is made up in large measure of mental high vacuum pumps in order to suck the maximum intelligence out of our limited scraps of information, many items of which would be utterly unsuggestive to an untrained person. Hence, the high ratio of specialists and professionals to clerical people--79%.

When we turn to the professions from which we draw, it is not easy to give accurate statistics because by the time a person becomes a really valuable intelligence officer he is necessarily an amalgam of more than one discipline. A rough look at our shop less the Geographic and Basic Divisions shows an apportionment as shown in the large pie. This is somewhat distorted, however, by the inclusion of specialists who tend, because of linguistic requirements, to be mostly Russian area specialists. Leaving them out, we find a team of analysts, 40% of whom are economists and 25% engineers of one sort or another.

Now turning briefly to the structure of the Office, here is our current scheme of organization. Experience has indicated ix the need for some regroupings, but a year's trial has proved it essentially sound.

The Office functions through its headquarters and three staff groups (Administrative Staff, Requirements and Control, and Reports) and 3 producing divisions:

Basic

Geographic

**SECRET**

**SECRET**

-6-

Approved For Release 2000/08/29 : CIA-RDP79-01048A000100010014-2

**SECURITY INFORMATION**

Materials

Industrial

Economic Services

Economic Analysis

Techniques and Methods

Strategic

Basic Intelligence Division is concerned with editorial guidance and the preparation of the sections of the NIS's, final editing and the various stages of publication of these surveys as part of ORR's common concern functions.

Geographic Division is an inter-departmental map and geographic intelligence facility constructing maps, supporting CIA field operations, and procuring and maintaining a working reference collection of foreign maps and atlases and related material. It is also called upon to render specialized analyses that tie directly into major questions of Soviet capabilities.

Materials Division is primarily concerned with raw materials and basic commodities, including rates of production, stockpiling, location of resources, reserves, processing facilities and requirements for production and consumption.

The Industrial Division deals with manufactured products, mostly durable goods, capital goods and concerns itself with methods of production and manufacturing structure in general.

The Services Division deals essentially with the intangible goods of an economy—the essential secondary industries without which there could be no effective utilization of the others.

Approved For Release 2000/08/29 : CIA-RDP79-01048A000100010014-2

**SECRET**

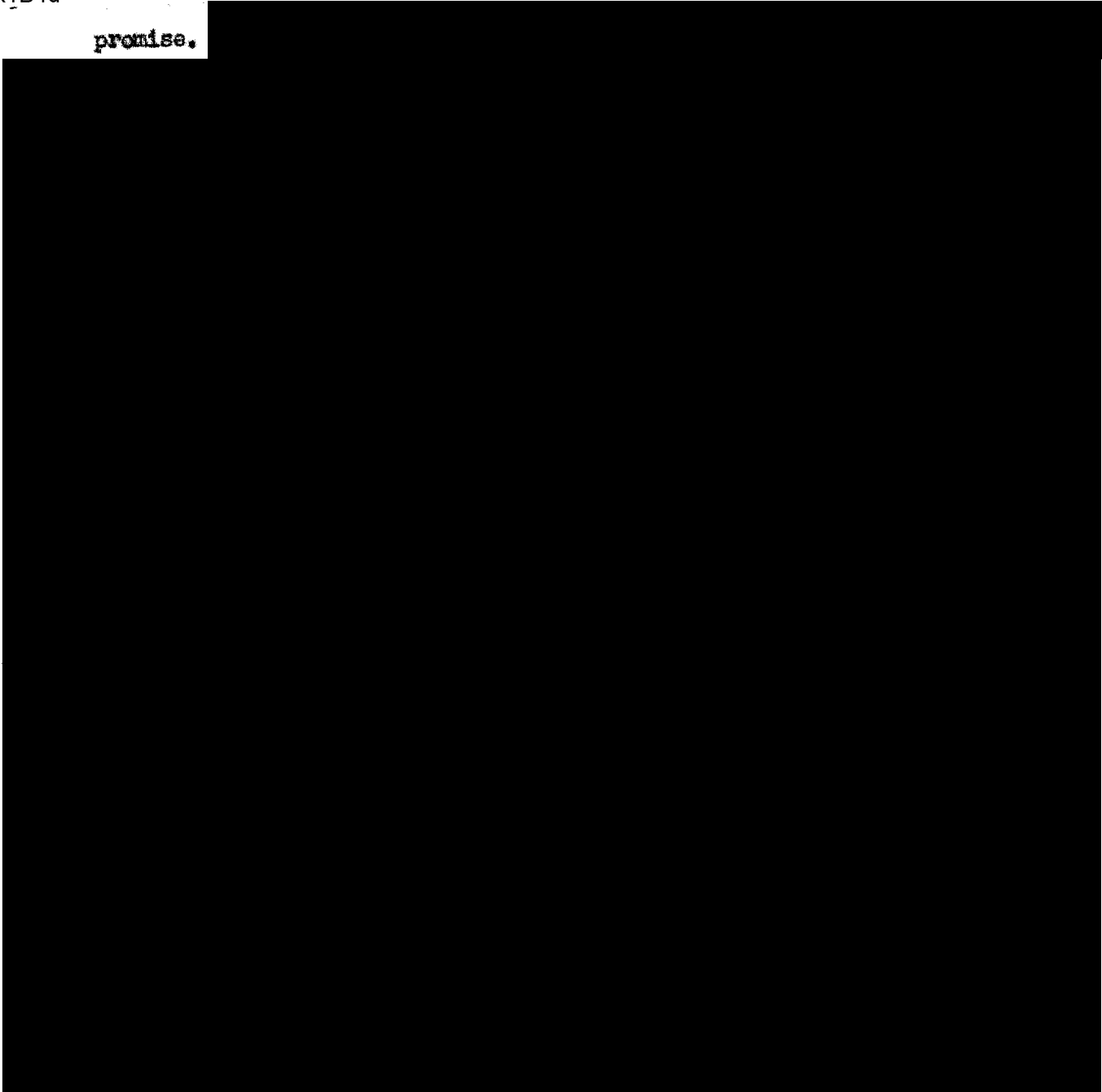
~~SECRET~~  
~~SECURITY INFORMATION~~

-7-

The Economic Analysis Division is somewhat of a hodgepodge and rather more a staff than a production branch. In it are located those concerned with the operational aspects of economic intelligence such as economic warfare and export control, as well as the section concerned with the ultimate evaluation of the work of the other branches.

25X1B4d

Techniques and Methods Division, though presently small, has magnificent promise.



25X1B4d

~~SECRET~~

25X1B4d

Approved For Release 2000/08/29 : CIA-RDP79-01048A000100010014-2

Approved For Release 2000/08/29 : CIA-RDP79-01048A000100010014-2

~~SECRET~~  
SECURITY INFORMATION

7. Turning now to the flow of work and our methods of handling it, note the next two charts. We are, as you see, both a service organization answering demands made upon us and one with internal self-generation in approximately the portion shown at the present time. We would naturally like someday to adjust the balance somewhat more in favor of our basic research, and this may well be possible as we build the latter up and thus become capable of responding to external demands merely by extracting and collating intelligence already salted away.

The overall schematic flow is shown on this chart. On the left we have those from whom we receive outside requirements, people we know affectionately as "clamorous customers", a phrase the graphics man censored from the chart. These requests vary, of course, from the short, sweet, and simple to the laying on of vast projects underlying some long-range extensive estimates. We have to be geared to handle both and tailor the product to a customer's needs. This we try to do by careful planning, staff supervision, flexible collaboration between our branches, and careful edit and review. At the same time, a substantial portion of our effort is devoted to projects that have been born within the Office. Some of these are brain children of the top of the pyramid but the ones we are proudest of are those conceived and promoted by the working analyst. All of these are submitted to a Project Review Board on which sit all division chiefs and principal staff members and if justified in terms of expected result and available effort become official Agency projects leading to publications. We strongly believe that the encouragement of this kind of initiative is vital to the morale and effectiveness of our organization.

Our products range from compendious tomes of the NIS variety through

~~SECRET~~

SECRET

SECURITY INFORMATION

medium lengthy surveys of particular industries, such as the Russian and Satellite electron tube industry, to smaller spot jobs devoted to a single plant or technique.

Coordination and the Economic Intelligence Committee--Largely the result of the initiative taken by my predecessor, Dr. Millikan, the EIC was established pursuant to NSCID 15 to bring together on an effective working level basis all the resources of IAC Agencies dealing with economic problems and also those of other agencies on an ad hoc basis. This committee is chaired by the AD and ORR provides the executive secretariat for the committee. As you can see, much of the work of the Committee is carried on by commodity and functional subcommittees which, in turn, are provided with a secretariat by the appropriate branch of ORR.

Since its organization, this Committee has prepared scores of papers ranging from a study of shellac requirements for the free world to the preparation of an exhaustive study [REDACTED]

25X1X7

25X1X7

[REDACTED] on Trade Controls in China.

In conclusion, I would stress that ORR as a whole, its subdivisions, and all its individual researchers in discharging their responsibilities are guided by the following:

First, they must build up through continuing basic research the solid foundation of foreign economic intelligence required for assessing capabilities, vulnerabilities, and intentions.

Second, they must meet the demand for continued intelligence support by other Offices of CIA for estimates, operations, policy formation.

Third, they must continuously review the impact on national security of current economic developments, and

Fourth, they must serve as a focal point for all foreign economic

SECRET

~~SECRET~~  
SECURITY INFORMATION

responsibility. This means not only knowing what is being done, but assessing the adequacy of it, avoiding duplication and taking steps to fill voids.

I believe we are on the right track, but know that we have a long way to go before we can, with any degree of composure, assert that the supply of our commodity—accurate economic intelligence—is equal to the demand that our national security creates for it.

~~SECRET~~